

APPENDIX A

Hastings Borough Council

Annual Governance Statement 2012/2013

Scope of responsibility

1. Hastings Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Hastings Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Hastings Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk. Hastings Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework "Delivering good governance in local government" (2012 edition).
3. A copy of the code is on our website at www.hastings.gov.uk . This statement explains how Hastings Borough Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

The purpose of the governance framework

4. The governance framework comprises the systems and processes, culture and values for the direction and control of the authority and its activities through which it accounts to, engages and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks to the achievement of policies, aims and objectives and therefore provides a reasonable rather than an absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Hastings Borough Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

6. The governance framework has been in place for a number of years at Hastings Borough Council and, in particular, for the year ended 31 March 2013, up to the date of approval of the Statement of Accounts.

The governance framework

7. The key elements of the systems and processes that comprise the authority's governance arrangements include arrangements for the following:
 - Hastings Borough Council continues to have an established Corporate Plan setting out a strategic overview and the priorities that guide our investment and activities. Part II of the Corporate Plan sets out the Council's work plan for the current financial year with targets and performance indicators which are monitored and reported on publicly every quarter.
 - Hastings Borough Council facilitates policy and decision-making via a Cabinet Structure with Cabinet Member portfolios. There are two Overview and Scrutiny Committees which cover all portfolios. An Audit Committee provides independent assurance to the Council on risk management and control, and the effectiveness of the arrangements the Council has for these matters. It undertakes the core functions of an audit committee as identified in 'CIPFA's Audit Committees: Practical Guidance for Local Authorities'. The Constitution is reviewed at least annually by the Monitoring Officer and is codified into one document that is available on the intranet and external web pages.
 - Hastings Borough Council ensures compliance with established policies, procedures, laws and regulations – including risk management. There is a corporate induction programme in place for new staff and information regarding policies and procedures are held on the intranet which continues to be enhanced and developed.
 - The Council has an Internal Audit function and established protocols for working with External Audit. External Audit also reviews compliance with policies, procedures, laws and regulations within their remit.
 - Hastings Borough Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures.
 - The Council's Risk Champion is the Director for Environment who leads the Corporate Risk Management Group to meet regularly and discharge further work that is acknowledged as necessary. This also incorporates the Health & Safety framework.
 - The Council has a Whistle Blowing Policy based on the British Standards model that enables staff, contractors or members of the public to confidentially raise with the Council any suspicions they may

have. There is also a customer complaints system that is monitored by management quarterly.

- Hastings Borough Council's Internal Audit function continues to support managers at all levels to give a better understanding of how to enhance risk management in their area of responsibility and to have some understanding of the process throughout the Council. The high-level risk management methodology was reviewed to provide more focus to member and senior officer management of risk. The Corporate Risk Register is formally reviewed at least once a quarter by Corporate Management Group (CMG) and the Operational Risk Registers are regularly reviewed at Directorate Management Team (DMT) meetings.
- Hastings Borough Council ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised. The External Auditor passed an unqualified audit opinion on value for money providing assurance to the public over its financial resilience and that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources.
- Financial management in Hastings Borough Council and the reporting of financial standing is undertaken through a general ledger and management information system, Agresso, which integrates the general ledger function with those of budgetary control and payments. These are supported by the Financial Operating Procedures (FOPs) Manual held on the Council's intranet which contains information on financial and business procedures and processes to be followed in all areas of the Council.
- A scheme of delegation which sets out the powers of Directors, the Financial rules and Contract Standing Orders form part of the Constitution. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated if necessary.
- Performance management in Hastings Borough Council and the reporting of performance management continues to show good results. In response to the de-regulation of Performance Management the Council has focussed its quarterly reporting of data on 31 Key Indicators that can be used to assess the 'health' of the organisation. This, together with the reporting on each of the Service's Part II commitments, enables a rounded view of how the Council is performing against key issues of concern to local people. Performance indicators are recorded and monitored using the Performance Plus computer system.
- Hastings Borough Council is the Trustee for all purposes to the Foreshore Trust. Its business is conducted through the Charity Committee which meets every quarter. The charity has a Protector to

protect the charity from conflicts of interest, financial and otherwise, arising from the Council's position as charitable trustee and local authority with its own priorities. At Annual Council, the Leader of the Council allocates responsibilities of the Cabinet to include Chair of the Charity Committee.

Changes to the Council's Structure and Governance arrangements

8. There have been a number of changes to service provision that have impacted on the governance arrangements at Hastings Borough Council. The key changes are:
 - East Sussex County Council took back the 'On Street Parking' service on 1 April 2013.
 - The Council entered into a new joint waste contract along with Wealden, Rother and Eastbourne Councils with significant savings per annum ongoing. It will come into effect for Hastings Borough Council on 1 July 2013 after which a mobilisation period of 4 months will follow.
 - As reported previously, a senior management restructure was ratified by Cabinet on 16 November 2011 which saw the reduction of five senior management posts, including those of the Chief Executive and Borough Solicitor. Following the transition period, the new structure was implemented on 1 April 2013. A post implementation review was carried out in October 2012 by an independent consultant who concluded that the Directors are working effectively with the Council Leader in the absence of a Chief Executive

Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on 'The Role of the Chief Finance Officer in Local Government (2010)'

9. The Head of Finance is the Section 151 Officer who leads and directs the Finance function that continues to be sufficiently resourced and fit for purpose and is also professionally qualified and suitably experienced.

Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on 'The Role of the Head of Internal Audit in Local Government (2010)'

10. The role of the Head of Internal Audit generally complies with the CIPFA statement. This is fully met with a caveat to the second principle requiring objective opinion on governance, risk management and internal control. The Head of Internal Audit has some strategic responsibility for Procurement and Housing Benefit and Council Tax Investigations. The independence is achieved through the Head of Internal Audit's job description and also by overview of the Section 151 Officer. In addition,

the majority of procurement has been transferred to the East Sussex Procurement Hub with effect from 1 May 2013

Review of effectiveness

11. Hastings Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and effectiveness of Internal Audit. The review of effectiveness is informed by the work of the Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Committee's annual report to Council and also by comments made by the external auditors and other review agencies and inspectorates.
12. The Council contributes to the delivery of the town's Sustainable Community Strategy through its membership of the Local Strategic Partnership and via targets included in the Corporate Plan. The Council monitors and reports publicly on progress so residents can see how issues that matter to them are being tackled. The plan is monitored on a quarterly basis by Overview and Scrutiny Committees.
13. The Council's constitution, which is reviewed at least annually by the Monitoring Officer, sets out the responsibilities of both Members and their senior managers. In particular, the Council has identified the three statutory posts as follows:

Head of Paid Service - Director of Corporate Resources

Section 151 Officer - Head of Finance

Monitoring Officer - Head of Corporate Services

14. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/SOLACE guidance and has developed a local code of corporate governance.
15. The arrangements for the provision of internal audit are contained within the Council's Financial Rules, which are included within the Constitution. Responsibilities of the Section 151 officer transferred from the Director of Corporate Resources to the Head of Finance who is now responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2011. The Internal Audit service is managed, independently, by the Head of Finance and operates in accordance with the CIPFA code of practice for Internal Audit in Local Government 2006. It is in the transition of adopting the Public Sector Internal Audit Standards which came into effect on 1 April 2013. The Council is adopting the Public sector Internal Audit Standards and therefore a report will be brought to the September meeting of the Audit Committee. The Hastings audit plan is prioritised by a combination of the

key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Corporate Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Hastings Internal Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement.

16. The Council's review of the effectiveness of the system of internal control is informed by:
 - Directorate assurance based on management and performance information
 - Scrutiny reports covering a planned scrutiny review programme but also any item can be subject to a scrutiny review
 - Work undertaken by Hastings BC Internal Audit during the year and summarised in the Annual Internal Audit Report
 - Work undertaken by the external auditor reported in their Annual Audit Letter and particularly their audit opinion on the Financial Statements and on Value for Money
 - Other work undertaken by independent inspection bodies.
 - Corporate Management Group and Audit Committee review of the Corporate and Operational Risk Registers
17. From the work undertaken by Hastings Audit in 2012/13 the Chief Auditor was able to give the following assurance "I am able to provide a reasonable assurance on the key areas of risk management, corporate governance and financial control". In this context "reasonable assurance" means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council's standing or Annual Accounts.
18. The Council's management arrangements for securing data quality were reviewed by audit and found to be effective.

Significant governance issues

19. There are no significant governance issues and the Council follows the CIPFA/SOLACE guidance entitled 'Delivering Good Governance in Local Government (Guidance Note for English Authorities)'.

20. There were no significant issues to report in the Annual Governance Statement 2011/12 but attention was drawn to two emerging risks at that time.
21. The first of those risks related to the reduction in Government grant funding. A balanced budget for 2013/14 was achieved whilst retaining an appropriate level of reserves but indications are that funding will continue to be under extreme pressure as the Government seeks to reduce public spending into the future.
22. The second changing environment reported was the Localism Act 2011. The council has kept abreast with all new legislative requirements of which there were several when it was first introduced but there has not been the impact realised yet from changes anticipated.
23. This year has again, been a period of change and development. There have been continuing financial pressures and we have had to make some tough decisions. Despite this challenging environment there have been significant achievements and continuing improvement in the Council's overall governance arrangements. Where we have identified areas for further improvement we will take the necessary action to implement changes that will further develop our governance framework.

Signed:..... Signed:.....

Leader of the Council

Director of Corporate Resources